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**STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING  
Whether there has been a violation of the  
Securities Act of Washington by:

PINNACLE CAPITAL FUND; ARTHUR KILNER;  
their employees and agents,

Respondents.

SDO - 57A - 00

SUMMARY ORDER TO CEASE AND  
DESIST

Case No. 00-04-0135

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THE STATE OF WASHINGTON TO: Pinnacle Capital Fund  
1509 N. Main St., #128  
Altus, OK 73521

Arthur Kilner  
173 Ridgebury Drive, P.O. Box 601  
Xenia, OH 45385-3956

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**STATEMENT OF CHARGES**

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents Pinnacle Capital Fund and Arthur Kilner have violated the Securities Act of Washington and that their violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 to cease and desist from such violations. The Securities Administrator finds that delay in ordering Respondents to cease and desist from such violations would be hazardous to investors and to the public and that a Summary Order to Cease and Desist should be entered immediately. The Securities Administrator finds as follows:

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**TENTATIVE FINDINGS OF FACT**

**I. Respondents**

1.1 PINNACLE CAPITAL FUND ("Pinnacle") is a business entity with address at 1509 N. Main St., #128, Altus, OK.

1.2 ARTHUR KILNER ("Kilner") has a place of business at 173 Ridgebury Dr., Xenia, OH. Arthur Kilner promotes various investment opportunities through the mail and over the telephone.

## **II. Nature of the Offering**

2.1 On December 22, 1999, upon learning that Arthur Kilner was soliciting Washington residents to invest with at least one third party entity, a staff member with the Securities Division, posing as a prospective investor, phoned Kilner. During this conversation the staff member inquired about an investment opportunity unrelated to this matter that the Division had learned Kilner was offering. After informing the staff member about that opportunity, Kilner began to discuss another investment opportunity with an entity named Pinnacle Capital Fund. Kilner told the staff member that he would send him information regarding Pinnacle. The staff member subsequently received literature through the U.S. mail from Kilner regarding the Pinnacle Capital Fund investment offering.

2.2 The offering literature sent to Washington residents is a solicitation for funds to be invested in Pinnacle Capital Fund. Pinnacle Capital Fund is described in the literature as an "a private venture capital expansion organization which provides funds to rapidly expanding and highly profitable areas of business growth such as United States based health care and technology." The literature declares that investors will make "100% return" on their investment, with "10% simple interest paid every month for 10 months GUARANTEED with renewal options."

2.3 The offering literature contains an application page entitled "Private Loan Agreement" which offerees are directed to fill out and send to Pinnacle, along with a minimum investment of \$500. On this page, offerees are instructed to sign their name and to make investment funds payable to the Pinnacle Capital Fund via a cashier's check or money order.

2.4 Art Kilner is listed on the application page as the person who referred the offeree to Pinnacle.

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**III. Misrepresentations and Omissions**

3.1 Respondents failed to provide offerees with a disclosure document containing complete material information about the investment opportunity described above, including but not limited to risk factors disclosure and financial statements of Pinnacle Capital Fund.

3.2 The offering literature sent by the Respondents did not identify the following: the principals in Pinnacle Capital Fund; their experience and track record in investment programs; what basis Pinnacle Capital Fund has for its claim that it will be able to pay investors 100% profit per year; and what compensation Arthur Kilner was to receive.

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**IV. Registration Status**

Pinnacle Capital Fund is not currently registered to sell its securities in the state of Washington and has not previously been so registered.

Arthur Kilner is not currently registered as a securities salesperson or broker-dealer in the State of Washington and has not previously been so registered.

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Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

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**CONCLUSIONS OF LAW**

I.

The offer of the investment with Pinnacle Capital Fund described above constitutes the offer and/or sale of a security as defined in RCW 21.20.005(10) and (12), to wit: evidence of indebtedness; an investment contract; or risk capital.

II.

The offer of said securities was made in violation of RCW 21.20.010 because, as set forth in paragraph III of the Tentative Findings of Fact, Respondents omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

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III.

The offer of said securities is in violation of RCW 21.20.140 because no registration for such offer and/or sale is on file with the Securities Administrator of the state of Washington.

IV.

Respondent Arthur Kilner has violated RCW 21.20.040 by offering said securities while not being registered as a securities salesperson, broker-dealer, or investment adviser in the state of Washington.

V.

The Securities Administrator finds that an emergency exists and that the continued violations of RCW 21.20.010, RCW 21.20.140, and RCW 21.20.040, constitute a threat to the investing public. Accordingly, a Summary Order to Cease and Desist from those violations is in the public interest and necessary for the protection of the investing public.

**SUMMARY ORDER**

Based upon foregoing, NOW, THEREFORE, IT IS HEREBY SUMMARILY ORDERED that Respondents Pinnacle Capital Fund, Arthur Kilner, and their employees and agents, each cease and desist from violating RCW 21.20.010, the anti-fraud section of the Securities Act.

It is further SUMMARILY ORDERED that Respondent Pinnacle Capital Fund, Arthur Kilner, and their employees and agents, each cease and desist from violating RCW 21.20.140 by offering and/or selling unregistered securities.

It is further SUMMARILY ORDERED that Respondent Arthur Kilner, and his employees and agents each cease and desist from violating RCW 21.20.040 by acting as a securities broker-dealer or securities salesperson without being so registered.

**AUTHORITY AND PROCEDURE**

This Order is entered pursuant to the provisions of RCW 21.20.390, and is subject to the provisions of Chapter 34.05 RCW. Each of the Respondents may make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this Order. If a Respondent does not request a hearing, the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and make the Summary Order to Cease and Desist permanent as to that Respondent.

WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

DATED this 17th day of May, 2000.



DEBORAH R. BORTNER  
Securities Administrator

Approved by:

Presented by:

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Michael E. Stevenson  
Chief of Compliance

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Chad Standifer  
Staff Attorney

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**STATE OF WASHINGTON  
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SECURITIES DIVISION**

IN THE MATTER OF DETERMINING  
Whether there has been a violation of the  
Securities Act of Washington by:

PINNACLE CAPITAL FUND; ARTHUR KILNER;  
their employees and agents,

Respondents.

SDO - 57B(1) - 00

NOTICE OF OPPORTUNITY TO DEFEND AND  
OPPORTUNITY FOR HEARING

Case No. 00-04-0135

THE STATE OF WASHINGTON TO:

**Attn: Pinnacle Capital Fund**  
1509 N. Main St., #128  
Altus, OK 73521

YOU ARE HEREBY NOTIFIED that a SUMMARY ORDER TO CEASE AND DESIST (“the Order”), a true and correct copy of which is attached and made part hereof, has been entered against you by the Washington State Department of Financial Institutions, Securities Division.

YOU ARE HEREBY NOTIFIED that you may file an application for an adjudicative hearing before an administrative law judge as Presiding Officer, upon the allegations supporting and ground for the agency action as set forth in the Order. YOUR APPLICATION MUST BE RECEIVED BY THE SECURITIES DIVISION WITHIN TWENTY (20) DAYS FROM THE DATE THAT YOU RECEIVE THIS NOTICE. If you demand a hearing, you will be notified of the date, time, and hearing location will be mailed to you at least seven (7) days in advance.

At the hearing, you may appear personally, and by counsel, if you desire. The hearing will be recorded and will be conducted according to the Administrative Procedure Act, Ch. 34.05 RCW. The primary concern of the Administrative Law Judge, and, ultimately, the Director of the Department of Financial Institutions, will be to determine the truth of the matters asserted in the Order. Technical rules of evidence will not be binding at the hearing except for the rules of privilege recognized by law. You have the right to present evidence and witnesses

NOTICE OF OPPORTUNITY TO DEFEND AND  
OPPORTUNITY FOR HEARING

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**DEPARTMENT OF FINANCIAL INSTITUTIONS**  
Securities Division  
PO Box 9033  
Olympia, WA 98507-9033  
360-902-8760

1 in your own behalf who will be subject to cross examination, to cross examine those witnesses presented in  
2 support of the Order, to examine such documentary evidence as may be produced against you, and to conduct  
3 discovery as is authorized in such proceedings. You may require the attendance of witnesses by subpoena,  
4 pursuant to RCW 34.05.446. If you are limited English-speaking or hearing impaired, you have the right to have  
5 an interpreter appointed at no cost to you, as discussed below.

6 INTERPRETER AVAILABILITY. If you or a witness for you is a person who, because of non-English-  
7 speaking cultural background, cannot readily speak or understand the English language, or if you or a witness for  
8 you is a person who, because of a hearing impairment or speech defect, cannot readily understand or communicate  
9 in spoken language, including persons who are deaf, deaf and blind, or hard or hearing, AND YOU NEED AN  
10 INTEPRETER, then a qualified interpreter will be appointed at not cost to you or to the witness. You may request  
11 the appointment of a qualified interpreter by indicating your request on the attached Application for Adjudicative  
12 Hearing form.

13 YOU ARE FURTHER NOTIFIED that if the Department of Financial Institutions does not RECEIVE the  
14 Application for Adjudicative Hearing form within twenty (20) days from the date you receive this notice, this will  
15 constitute a waiver of your right to a hearing in accordance with Ch. 34.05 RCW, and the director will find that  
16 you do not contest the allegations of the Summary Order. Upon such a finding by the director, a final order will be  
17 immediately entered disposing of this matter and ordering you to cease and desist as described in the Summary  
18 Order. If you desire a hearing in this matter, please return the attached Application for Adjudicative Hearing to:

19 Washington State Department of Financial Institutions  
20 Securities Division  
21 Attn: Chad Standifer  
22 P.O. Box 9033  
23 Olympia, WA 98507-9033

24 DATED this 17<sup>th</sup> day of May, 2000.

25 DEBORAH BORTNER  
26 DEBORAH R. BORTNER  
27 Securities Administrator

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**STATE OF WASHINGTON  
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IN THE MATTER OF DETERMINING  
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SDO - 57B(2) - 00

NOTICE OF OPPORTUNITY TO DEFEND AND  
OPPORTUNITY FOR HEARING

Case No. 00-04-0135

THE STATE OF WASHINGTON TO:

**Attn: Arthur Kilner**  
173 Ridgebury Drive, P.O. Box 601  
Xenia, OH 45385-3956

YOU ARE HEREBY NOTIFIED that a SUMMARY ORDER TO CEASE AND DESIST (“the Order”), a true and correct copy of which is attached and made part hereof, has been entered against you by the Washington State Department of Financial Institutions, Securities Division.

YOU ARE HEREBY NOTIFIED that you may file an application for an adjudicative hearing before an administrative law judge as Presiding Officer, upon the allegations supporting and ground for the agency action as set forth in the Order. YOUR APPLICATION MUST BE RECEIVED BY THE SECURITIES DIVISION WITHIN TWENTY (20) DAYS FROM THE DATE THAT YOU RECEIVE THIS NOTICE. If you demand a hearing, you will be notified of the date, time, and hearing location will be mailed to you at least seven (7) days in advance.

At the hearing, you may appear personally, and by counsel, if you desire. The hearing will be recorded and will be conducted according to the Administrative Procedure Act, Ch. 34.05 RCW. The primary concern of the Administrative Law Judge, and, ultimately, the Director of the Department of Financial Institutions, will be to determine the truth of the matters asserted in the Order. Technical rules of evidence will not be binding at the hearing except for the rules of privilege recognized by law. You have the right to present evidence and witnesses

NOTICE OF OPPORTUNITY TO DEFEND AND  
OPPORTUNITY FOR HEARING

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**DEPARTMENT OF FINANCIAL INSTITUTIONS**  
Securities Division  
PO Box 9033  
Olympia, WA 98507-9033  
360-902-8760

1 in your own behalf who will be subject to cross examination, to cross examine those witnesses presented in  
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3 discovery as is authorized in such proceedings. You may require the attendance of witnesses by subpoena,  
4 pursuant to RCW 34.05.446. If you are limited English-speaking or hearing impaired, you have the right to have  
5 an interpreter appointed at no cost to you, as discussed below.

6 INTERPRETER AVAILABILITY. If you or a witness for you is a person who, because of non-English-  
7 speaking cultural background, cannot readily speak or understand the English language, or if you or a witness for  
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15 constitute a waiver of your right to a hearing in accordance with Ch. 34.05 RCW, and the director will find that  
16 you do not contest the allegations of the Summary Order. Upon such a finding by the director, a final order will be  
17 immediately entered disposing of this matter and ordering you to cease and desist as described in the Summary  
18 Order. If you desire a hearing in this matter, please return the attached Application for Adjudicative Hearing to:

19 Washington State Department of Financial Institutions  
20 Securities Division  
21 Attn: Chad Standifer  
22 P.O. Box 9033  
23 Olympia, WA 98507-9033

24 DATED this 17<sup>th</sup> day of May, 2000.

25 DEBORAH BORTNER  
26 DEBORAH R. BORTNER  
27 Securities Administrator

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**STATE OF WASHINGTON  
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IN THE MATTER OF DETERMINING  
Whether there has been a violation of the  
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their employees and agents,

Respondents.

SDO - 57C(1) - 00

APPLICATION FOR ADJUDICATIVE  
HEARING

Case No. 00-04-0135

THE STATE OF WASHINGTON TO:      **Attn: Pinnacle Capital Fund**  
1509 N. Main St., #128  
Altus, OK 73521

If you wish to contest the Summary Order to Cease and Desist and have an adjudicative hearing, you must sign,  
date, and return this form within twenty (20) days of the date you received it, to:

Washington State Department of Financial Institutions  
Securities Division  
Attn: Chad Standifer  
P.O. Box 9033  
Olympia, WA 98507-9033

FAILURE TO RETURN THIS FORM SO THAT IT IS RECEIVED BY THE DEPARTMENT OF  
FINANCIAL INSTITUTIONS WITHIN TWENTY (20) DAYS OF THE DATE YOU RECEIVED IT WILL  
CONSTITUTE A DEFAULT AND WILL RESULT IN THE LOSS OF YOUR RIGHT TO AN ADJUDICATIVE  
HEARING. In that case, the Director of the Department of Financial Institutions will immediately enter an  
appropriate order in disposition of the Summary Order.

**INSTRUCTIONS:** Check the box beside your desired response. Mail this document as set forth above.

I.

- I request a hearing in this matter.
- I do not request a hearing in this matter.

II.

I [WILL] [WILL NOT] be represented by an attorney. His/her name, address, and telephone number are:

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III.

I [REQUEST] [DO NOT REQUEST] that a qualified interpreter be appointed at no cost to me to interpret for (myself) or (my witness(es)). My, or my witness's(es'), primary language is \_\_\_\_\_ (identify language). My, or my witness's(es'), hearing impaired status is \_\_\_\_\_ (identify hearing impaired status). I understand that a qualified interpreter will be appointed at no cost to me or to my witness(es).

IV.

You have the right: To demand an adjudicative hearing, to be represented by an attorney at your own expense; and to subpoena witnesses to the hearing or subpoena the production of books or documents, and to otherwise defend against the Summary Order.

**WARNING:** FAILURE TO COMPLETE AND MAIL THIS DOCUMENT SO THAT IT IS RECEIVED BY THE SECURITIES DIVISION WITHIN 20 DAYS AFTER YOUR RECEIPT OF THE SUMMARY ORDER WILL RESULT IN THE DISPOSITION OF THIS CASE AS AUTHORIZED BY RCW 34.05.440.

Dated this \_\_\_\_\_ day of May, 2000.

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**\*\* Sign \*\***

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Address:

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**INSTRUCTIONS:** Check the box beside your desired response. Mail this document as set forth above.

I.

I request a hearing in this matter.

I do not request a hearing in this matter.

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Dated this \_\_\_\_\_ day of May, 2000.

**\*\* Sign \*\***

Address:

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